

PUBLIC DISCLOSURE

APRIL 24, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CENTRAL CO-OPERATIVE BANK

399 HIGHLAND AVENUE
SOMERVILLE, MA 02144

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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TABLE OF CONTENTS

- I. General Information
- II. Institution Rating
 - a. Overall Rating
 - b. Lending, Service, and Investment Test Table
 - c. Discussion of Findings
- III. Appendix
 - a. Scope of Examination

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CENTRAL CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **APRIL 24, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The bank's overall Satisfactory rating was based on the three performance criteria outlined under the CRA Large Institution Examination Procedures: Lending, Investment, and Service tests. The examination covers the period January 1, 2000, through December 31, 2001. The bank's performance in each of these areas is summarized below.

Under the Lending Test, the bank is assigned a Satisfactory rating. Approximately, 52.0 percent of the mortgage loans and 75.7 percent of the small business loans were made within the assessment area. Lending was well distributed throughout the bank's assessment area. The lending distribution by borrower income level and businesses of different sizes demonstrates a good penetration. Central Co-operative Bank has made one community development loan during the period under review. The bank makes use of innovative and flexible lending practices to better serve the assessment area's credit needs, particularly those of low and moderate-income individuals.

Under the Investment Test, the bank is rated "Satisfactory." The bank has made an adequate level of qualified community development investments within the assessment area. Although not particularly innovative or complex, the level of contributions that serve low and moderate-income individuals reflect an adequate responsiveness to local credit needs.

Under the Service Test, the bank is rated "Satisfactory." The bank has demonstrated an adequate level of responsiveness in providing qualified community development services as defined by the CRA regulation. Central Co-operative Bank offers services and products tailored to meet the convenience and needs of the entire assessment area.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of Central Co-operative Bank, Somerville , Massachusetts, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Central Co-operative Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Central Co-operative Bank (CCB) is a state-chartered bank headquartered in Somerville, Massachusetts. The current Central Co-operative Bank is the result of several mergers: between 1970 and 1982, the bank grew through mergers with six other Massachusetts co-operative banks. In October 1986, CCB became a public company by converting to a capital stock co-operative bank. In 1994, CCB acquired Metro Bancorp, Inc., the parent company of Metropolitan Bank and Trust Company. In 1999, Central Bancorp, Inc., became the holding company for CCB.

The bank maintains eight full-service branch offices in Massachusetts, including the main office located at 399 Highland Avenue in Somerville. The bank also has an operations center located at the former Innerbelt branch location in Somerville. Two of the bank's branches are located in moderate-income census tracts, four are located in middle-income census tracts and two are located in upper-income census tracts.

Central Co-operative Bank's primary business focus is residential mortgage lending; however, management has made a concerted effort to augment the bank's commercial lending business since its acquisition of a small commercial bank in 1994. As of December 31, 2001, the bank had approximately \$432 million in assets and \$328 million in loans. Total loans represent 75.9 percent of total assets, the majority of which are secured by residential properties (including one-to-four family, multifamily and home equity loans). The table below depicts the composition of the bank's loan portfolio based on the FDIC Call Report of Condition.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	211,178	64.2
Commercial Real Estate	54,209	16.5
Construction and Land Development	21,143	6.4
Multifamily Properties	20,961	6.4
Home Equity Lines of Credit	8,824	2.7
Commercial and Industrial	7,161	2.2
Secured by Farmland	3,720	1.1
Consumer Loans	1,636	0.5
Total Gross Loans	328,832	100

Source: December 31, 2001 Consolidated Report of Condition.

The bank's competition includes state and nationally-chartered financial institutions located within its assessment area. Its primary competitors include Wainwright Bank, Winchester Co-operative Bank, Medford Co-operative Bank, Stoneham Co-operative Bank, Fleet Bank, Citizens Bank, Sovereign Bank, East Cambridge Savings Bank,

Eastern Bank, Medford Savings Bank, Cambridge Savings Bank, Century Bank, Northern Bank, Middlesex Federal Savings, and Winter Hill Federal Savings Bank.

There appear to be no existing legal or financial impediments that would prohibit the bank from meeting the credit needs of the community.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of January 10, 2001, assigned the bank a "Satisfactory" CRA rating. The previous evaluation performed by the Commonwealth of Massachusetts, as of January 10, 2000, also resulted in a "Satisfactory" CRA rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

CCB defines its assessment area as the cities of Somerville, Cambridge, Everett, Malden, Medford, Melrose, Newton and Woburn; and the towns of Arlington, Belmont, Brookline, Burlington, Lexington, Stoneham, Watertown and Winchester. In addition, the census tracts that comprise the Allston/Brighton neighborhood of the City of Boston are included. This assessment delineation places the bank's designated area within the Boston MA-NH Metropolitan Statistical Area (MSA). The bank's defined assessment area meets the requirements of the CRA regulation.

According to 1990 US Census Data, CCB's assessment area has a total population of 788,034 individuals. The assessment area consists of 165 census tracts. Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The Boston MA-NH MSA median Family Household Income (FHI) was \$65,500 for 2000 and \$70,000 for 2001. The census tract breakdown for CCB is as follows: 2 or 1.2 percent designated as low-income, 36 or 21.8 percent as moderate-income, 78 or 47.3 percent as middle-income and 49 or 29.7 percent as upper-income.

Housing information obtained from CRA WIZ, based on 1990 census data for the assessment area indicated that there are 326,664 housing units, of which 46.2 percent are owner-occupied. The median home value of the assessment area is \$226,427. Refer to the following table for more information:

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	1.2	0.9	0.9	0.2	1.5	1.3	\$225,176
Moderate	21.8	21.5	21.9	12.5	29.9	29.6	\$166,591
Middle	47.3	51.4	51.3	49.8	53.1	49.0	\$201,784
Upper	29.7	26.2	25.9	37.5	15.5	20.1	\$325,910
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	\$226,427

Source: U.S. Census

There are a reported 21,360 businesses in the assessment area. The service industry comprises approximately 50 percent of all of the businesses. The retail industry represents the next largest portion at 16 percent. The remaining 34 percent of the businesses in the area are comprised of wholesale trade, manufacturing, construction, financial, insurance and real estate industries.

During the examination a community contact was performed with an organization in the bank's assessment area. The contact indicated the need for more affordable housing within the assessment area in order to serve the large number of low and moderate-income families and individuals in the area.

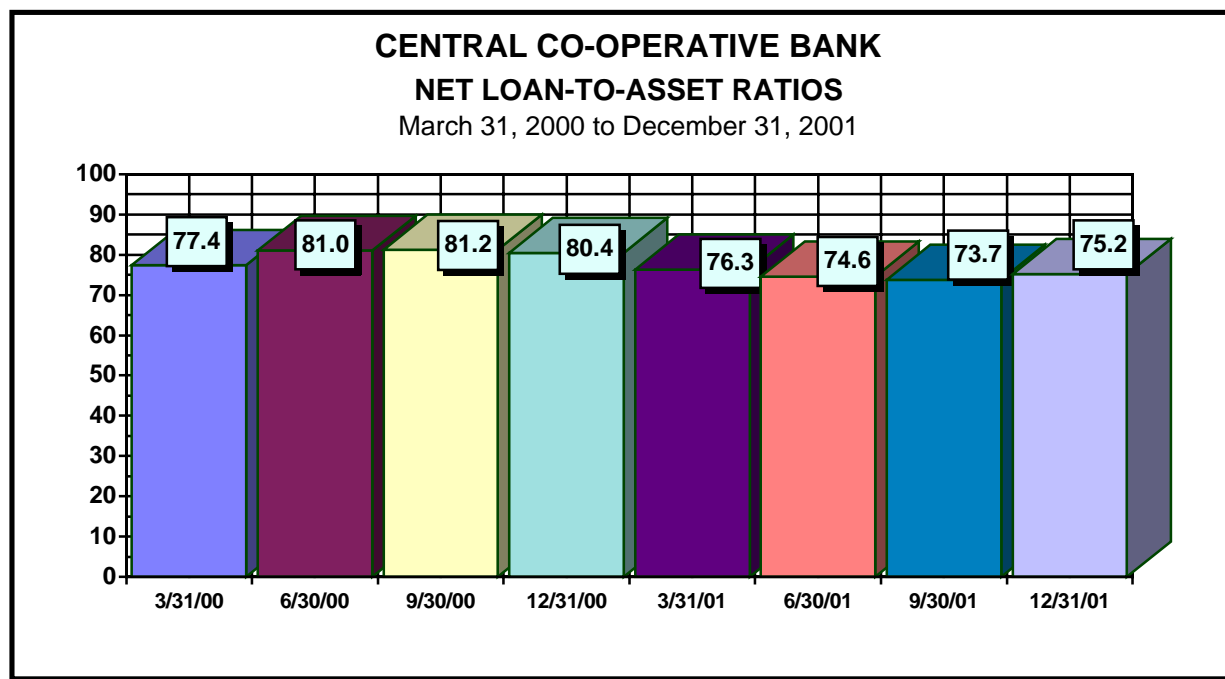
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, the distribution of loans particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; and the use of innovative and flexible lending practices. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

I. Lending Activity

CCB's average net loan-to-asset ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total assets. The bank's average net loan-to-asset ratio for the period March 31, 2000, through December 31, 2001, was 77.5 percent. The asset size of the institution has increased from \$409 million as of March 31, 2000, to \$432 million as of December 31, 2001, which represents a 5.7 percent increase. Refer to the following chart for the net loan-to-asset ratio for this period.



Source: FFIEC Call Reports

During the time period shown above, the bank's dollar amount of net loans increased approximately 2.7 percent. This is less than the overall percentage of asset growth, resulting in a gradual decrease in the bank's net loan-to-asset ratio. This ratio ranged from 77.4 percent to 75.2 percent.

The following table compares CCB's net loan-to-asset ratio with that of other area institutions throughout the assessment area. The net loan-to-asset ratios ranged from 61.4 percent to 78.5 percent on December 31, 2001. CCB's net loan-to-asset ratio of 75.2 percent compares favorably to these other institutions and is indicative of its willingness to extend credit in its assessment area.

INSTITUTION	NET LOAN-TO-ASSET RATIO
Stoneham Co-operative Bank	78.5%
Central Co-operative Bank	75.2%
Medford Co-operative Bank	72.2%
East Cambridge Savings Bank	69.6%
Wainwright Bank	64.5%
Winchester Co-operative Bank	61.4%

Further analysis was conducted on the bank's net loan-to-deposit ratio for the eight quarters under review. During this time, loan growth outpaced deposit growth with an increase of 2.7 percent and 1.1 percent, respectively. The average net loan-to-deposit ratio currently stands at 82.3 percent.

Based on aggregate HMDA data for 2000, CCB ranked 34th among all HMDA reporting lenders within its defined assessment area and held 1.0 percent of the market share. There were 461 HMDA reporting mortgage lenders active within the assessment area in 2000.

In 2000, the top five mortgage lenders within the bank's defined assessment area were: (1) Sovereign Bank (7.0% market share); (2) Fleet National Bank (6.0% market share); (3) Washington Mutual Bank, FA (5.0% market share); (4) Countrywide Home Loans (4.0% market share); and (5) Ohio Savings Bank (3.0% market share). These top five lenders held a 25.0 percent market share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA).

Distribution Inside and Outside the Assessment Area

HMDA-Reportable Lending

CCB's 2000 and 2001 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 621 HMDA-reportable loans totaling approximately \$137,185,000. Of this amount, 323 loans, or 52.0 percent of the number, totaling \$81,321,000 and 59.3 percent of the total dollar amount were originated within the bank's assessment area.

By number, Woburn accounted for the largest number of originations with 16.7 percent, followed by Somerville with 10.8 percent and Cambridge with 10.5 percent. Cambridge accounted for the largest dollar volume of originations with 20.8 percent, followed by Somerville with 11.1 percent and Newton with 10.1 percent.

The following table provides additional information regarding HMDA lending.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	154	46.0	38,721	59.6	181	54.0	26,242	40.4
2001	169	59.1	42,600	59.0	117	40.9	29,622	41.0
Total	323	52.0	81,321	59.3	298	48.0	55,864	40.7

Source: HMDA LAR, CRA Wiz

As indicated in the above table, a small majority (52.0% by number and 59.3% by dollar amount) of the bank's loans during the examination period were originated inside the bank's assessment area.

Small Business Lending

CCB's Small Business Loan Registers (SBLRs) were also reviewed to determine the amount of credit extended within the delineated assessment area. The bank originated 115 small business loans totaling approximately \$9,538,000, of which 87 loans totaling \$7,015,000 were made to businesses within the bank's assessment area. These loans represent 75.7 percent by number and 73.5 percent by dollar amount.

Refer to the following table for additional information regarding small business loans.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	44	84.6	2,071	85.6	8	15.4	348	14.4
2001	43	68.3	4,944	69.4	20	31.7	2,175	30.6
Total	87	75.7	7,015	73.5	28	24.3	2,523	26.5

Source: CRA Data Collection

Based upon the above analysis, the overall percentage of lending within the assessment area is considered adequate. While the bank makes a small majority of residential loans within the assessment area, this is compensated for by the percentage of small business loans, which are made within the assessment area. Therefore, the percentage of lending inside the assessment area for both residential and small business loans is considered to be adequate.

II. Geographic Distribution

HMDA-Reportable Lending

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 165 census tracts: 2 or 1.2 percent are designated as low-income; 36 or 21.8 percent are designated as moderate-income; 78 or 47.3 percent as middle-income; and 49 or 29.7 percent as upper-income.

The following table provides a breakdown of residential loans and the percentage of owner-occupied housing units in each of the census tract income categories. Additionally, the distribution of the bank's loans by census tract was also compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis pertains to calendar year 2000.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	2000 Aggregate Lending Data (% of #)	2000		2001		Total	
			#	%	#	%	#	%
Low	0.2	0.5	0	0.0	0	0.0	0	0.0
Moderate	12.5	17.2	29	18.8	17	10.1	46	14.2
Middle	49.8	50.8	85	55.2	90	53.2	175	54.2
Upper	37.5	31.5	40	26.0	62	36.7	102	31.6
Total	100.0	100.0	154	100.0	169	100.0	323	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

There were no loans originated in the two low-income census tracts. As indicated above, only 0.2 percent of owner-occupied units are located in these census tracts, making it nearly impossible to generate any loans.

As shown in the above table, the bank extended 46 loans within moderate-income census tracts during the period examined, representing 14.2 percent by number and 15.0 percent by dollar amount .

The bank's performance was also compared to that of the aggregate. In Year 2000, the bank made 18.8 percent of its loans in moderate-income census tracts, in comparison to the aggregate, which originated 17.2 percent there. The bank also surpassed the aggregate in lending in middle-income census tracts by making 55.2 percent of its loans in these tracts, versus the aggregate, which made 50.8 percent of its loans in middle-income census tracts.

Small Business Lending

CCB's small business loans were analyzed to determine the distribution by census tract income level within its assessment area. The following table depicts this distribution by number. There were no loans originated within the bank's two low-income census tracts where the bank has no branch offices.

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2000		2001		Total	
	#	%	#	%	#	%
Moderate	7	15.9	14	32.6	21	24.2
Middle	21	47.7	14	32.6	35	40.2
Upper	16	36.4	15	34.8	31	35.6
Total	44	100.0	43	100.0	87	100.0

Source: CRA Data Collection

As shown above, the bank originated 24.2 percent by number of its small business loans in moderate-income census tracts. These small business loans also represented 20.1 percent of the total dollar volume of loans in the assessment area. The majority of loans or 40.2 percent of loans were originated in middle-income census tracts, which also comprise the largest percentage of tracts within the assessment area.

Based on the above information, the bank's distribution of HMDA reportable and small business loans by census tract income level reflects a good dispersion of loans throughout the assessment area.

III. Borrower Characteristics

HMDA-Reportable Lending

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers' reported incomes were compared to the median family income for the Boston Metropolitan Statistical Area (MSA). These income figures

were \$65,500 for 2000 and \$70,000 for 2001, based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group. The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reporting lenders in the assessment area. This comparison is based upon a comparison of Year 2000 data for aggregate and bank lending.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Total House-holds	2000 Aggregate Lending Data (% of #)	2000		2001		Total	
			#	%	#	%	#	%
Low	0.9	3.7	2	1.3	12	7.1	14	4.3
Moderate	21.5	11.3	21	13.6	26	15.4	47	14.6
Middle	51.4	19.8	32	20.8	40	23.7	72	22.3
Upper	26.2	43.0	89	57.8	78	46.1	167	51.7
NA	0.0	22.2	10	6.5	13	7.7	23	7.1
Total	100.0	100.0	154	100.0	169	100.0	323	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

During the examination period, the bank extended 14 loans to low-income borrowers representing 4.3 percent by number and 1.0 percent by dollar amount. In addition, the bank extended 47 loans to moderate-income borrowers, representing 14.6 percent by number and 6.2 percent by dollar amount.

In comparison to the percentage of households within the assessment area, the bank's percentage of lending to low-income borrowers exceeds the 0.9 percent of low-income households; however lending to moderate-income borrowers at 14.6 percent falls below the 21.5 percent of moderate-income households within the assessment area. The assessment area contains a large number of people collecting social security (25.2%), households living below the poverty level (8.4%) and recipients of public assistance (5.3%). These percentages of households generally preclude homeownership.

The bank's performance was also evaluated in comparison to the aggregate performance. In Year 2000, the bank originated 1.3 percent of its loans to low-income borrowers, compared to the aggregate, which made 3.7 percent of its loans to this

group. However, in terms of moderate-income borrowers, the bank made 13.6 percent of its loans to borrowers in this income group, outperforming the aggregate, which made only 11.3 percent of its loans in this income category. The bank also did better in lending to middle-income borrowers in 2000, making 20.8 percent of loans to middle-income borrowers, in comparison to the aggregate, which made 19.8 percent.

Small Business Lending

The bank's small business loans were analyzed to determine the distribution among businesses of various sizes. The majority of the loans originated (75.9%) were granted to small businesses with annual revenues of \$1 million or less. Refer to the table below.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2000		2001		Total	
	#	%	#	%	#	%
<= \$1,000	34	77.3	32	74.4	66	75.9
> \$1,000	10	22.7	11	25.6	21	24.1
Total	44	100.0	43	100.0	87	100.0

Source: CRA Data Collection

By dollar amount, 68.4 percent of the loans went to businesses that had annual revenues less than or equal to \$1 million and 31.6 percent went to businesses that had annual revenues greater than \$1 million.

The small business loans were further analyzed to determine the loan amount at origination. The majority of the loans originated (81.6%) had original loan amounts of less than \$100,000. Refer to the following table:

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2000		2001		Total	
	#	%	#	%	#	%
< \$100	39	88.6	32	74.4	71	81.6
\$100 - \$250	4	9.1	4	9.3	8	9.2
> \$250 - \$1,000	1	2.3	7	16.3	8	9.2
Total	44	100.0	43	100.0	87	100.0

Source: CRA Data Collection

By dollar amount, 21.7 percent of the loans had amounts less than \$100,000 and 17.0 percent had loan amounts between \$100,000 and \$250,000. The remaining 61.3 percent had loan amounts greater than \$250,000.

As demonstrated above, the bank's lending to borrowers of different income levels including low and moderate-income individuals and businesses of various sizes with small business small loans reflects a good performance.

IV. Community Development Lending

CCB Bank has exhibited limited involvement under the community development lending criterion. In 2001, the bank provided a \$186,000 mortgage to a non-profit community development corporation. This corporation rehabilitates and preserves existing housing in Chelsea and maintains affordability for low-and moderate-income residents in the area. This loan provided funds to refinance a six unit multifamily residential rental property.

The bank originates loans that are considered to meet the spirit of community development, yet fall short of the regulatory definition of community development lending. Nonetheless, these loans are recognized for addressing community credit needs and receive positive recognition in their support of the overall rating for the lending test.

V. Innovative or Flexible Lending Practices

CCB continues to design and participate in a variety of flexible and innovative loan programs aimed at meeting the credit needs of low and moderate-income homebuyers. These programs are detailed below:

Central First-Time Home Buyer Program: The Central First-Time Home Buyer Program is available to individuals who have not owned property in the past three years. The purchase must be of a one-to-four family owner-occupied property. Maximum loan-to-value percentages for one-to-two family and three-to-four family properties are 95 percent and 90 percent, respectively with flexible underwriting ratios and reduced closing costs. The maximum sales price of the property is limited to \$300,000. Low or moderate-income borrowers who reside within the assessment area pay no closing costs and no PMI is required when the LTV ratio is 85 percent or less. In 2000 and 2001, the number of originations were 24 and 8, with total dollar amounts of \$4,925,990 and \$1,771,385, respectively.

Malden and Everett First and Second-Time Home Buyer Programs: These programs are available to first and second-time home buyers and Malden and Everett employees who purchase a one-to-three family home in Malden or Everett as their residence. Maximum loan-to-value percentages for one-to-two family and three-family properties are 95 percent and 90 percent, respectively. Flexible qualifying ratios are offered as well as reduced closing costs. In 2000 and 2001, the number of originations were 3 and 7, with total dollar amounts of \$578,700 and \$1,490,910, respectively.

City of Somerville Affordable Housing Program: This program is available to Somerville residents who are first-time home buyers. Eligibility requires the completion of a first-time home buyer program and income between 80 percent and 110 percent of the Boston MSA median income. The borrower must be purchasing a one-to-four family home or a condominium. The maximum loan-to-value is 97 percent. The loan rate will be based

on the bank's current 5/1 ARM product. No loans were originated under this program in 2000. One loan totaling \$97,360 was originated in 2001.

Special Needs Loan: This loan program is designed to specifically meet the credit needs of disabled persons. Proceeds can be used for a variety of purposes including custom van conversion, power wheel chairs and home improvements. The product is structured as a reduced fixed rate consumer loan with an extended amortization period. In 2000 and 2001, the number of originations were 3 and 3, with total dollar amounts of \$59,330 and \$55,000, respectively.

VI. Fair Lending Policies and Practices

CCB's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The bank provides employees with training on a variety of fair lending and diversity issues. CCB's marketing efforts are carried out primarily through newspaper advertisements that reach the entire assessment area. In addition, members of the bank are actively involved in the community which helps them to determine the credit needs of the assessment area.

CCB's second review policy requires all declined loan applications to be reviewed by a second loan officer. CCB refers all loan customers whose home loan is delinquent to the appropriate credit counseling services available in the area. The bank has a staff of 114 employees, many of whom speak different foreign languages.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 2000 aggregate data for all other HMDA reporters within the assessment area.

During the examination period, the bank received 405 residential loan applications from within its assessment area, of which 42 applications or 10.4 percent were from minorities. According to 1990 Census Data, the bank's assessment area contains a total population of 788,034 individuals of whom 12.7 percent are minorities. Refer to the following table for the distribution of loans by race.

MINORITY APPLICATION FLOW*								
RACE	Aggregate Data 2000		CCB 2000		CCB 2001		CCB TOTAL	
	#	%	#	%	#	%	#	%
Native American	69	0.2	0	0.0	1	0.5	1	0.2
Asian	1,497	4.8	5	2.8	9	4.1	14	3.5
Black	693	2.2	6	3.3	3	1.3	9	2.2
Hispanic	598	1.9	3	1.6	3	1.3	6	1.5
Joint Race	424	1.3	3	1.6	3	1.3	6	1.5
Other	492	1.6	2	1.1	4	1.8	6	1.5
Total Minority	3,773	12.0	19	10.4	23	10.3	42	10.4
White	17,166	54.5	143	78.6	179	80.3	322	79.5
NA	10,543	33.5	20	11.0	21	9.4	41	10.1
Total	31,482	100.0	182	100.0	223	100.0	405	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

As the above table indicates, the bank has had a fairly stable minority application flow during the past two years. In both of those years, the application flow hovered around 10.4 to 10.3 percent. This was slightly lower than the 12.7 percent of minority households within the assessment area.

Aggregate information indicated that, of the 31,482 HMDA-reportable applications received from other lenders within the assessment area in 2000, 12.0 percent were from minorities. CCB's minority application flow when compared to the other lenders within the assessment area is slightly below the aggregate.

VII. Loss of Affordable Housing

The bank's development of its own first time home- buyer programs has assisted low and moderate-income individuals to purchase housing and to retain this housing as affordable.

Conclusion – Lending Test

Taking into account the number and amount of home mortgage and small business loans in its assessment area, CCB has demonstrated an adequate responsiveness to the assessment area's credit needs. A majority of the bank's loans are made within its assessment area and reflect an adequate distribution among the communities. The bank's lending also demonstrates a good dispersion of loans among individuals of different income levels and businesses of different sizes. The bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The bank makes use of several flexible- lending programs designed to assist low and moderate-income homebuyers. In addition, the bank's fair lending performance was found to be satisfactory. Therefore, the institution's lending performance receives an overall rating of "Satisfactory."

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments, not just those made since the previous CRA examination.

Investments

Freddie Mac Gold (FGLMC): On December 1, 2001, the bank purchased a FGLMC mortgage backed security for \$525,386 maturing on December 1, 2031. The original face amount of this security was \$518,580. This investment is a pool of 30-year fixed-rate loans originated to moderate-income borrowers in Somerville, Lowell, Everett and Watertown Massachusetts.

Charitable Contributions

CCB has provided qualified charitable contributions to organizations that provide affordable housing, youth programs, food pantries and health and human services to low and moderate-income individuals. In 2000 and 2001, the bank provided a total of \$2,700 and \$13,110, respectively, in qualified contributions and grants. Examples of these organizations are described below:

- **Boys & Girls Club:** This organization provides community services for local youths, many of whom are from low and moderate-income families. CCB made contributions to the Boys & Girls Club of Woburn.
- **West Medford Community Center:** This is a non-profit human service institution founded by Medford citizens. Its purpose is to support groups and individuals which develop and provide human, cultural and social services for low and moderate-income citizens of Medford.
- **Woburn Council of Social Concern:** This is a charitable community-based agency, which operates a children's center, a low-cost family day care, and a food pantry in Woburn.
- **Consumer Credit Counseling Services of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals.

As depicted above, CCB has an adequate level of qualified community development investments and contributions. Therefore based on the bank's size and resources and the credit needs of the assessment area the bank's investment test is rated Satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services:

Retail Banking Services

Distribution of Branches

CCB currently maintains seven full service branches in addition to its main office. Two of the bank's branches are located in moderate-income census tracts, four are located in middle-income census tracts and two are located in upper-income census tracts. The bank's main office is located at 399 Highland Avenue in downtown Somerville, primarily serving the residents, employees and businesses throughout Somerville. The bank has branches in Arlington, Burlington, Chestnut Hill, Malden, Melrose and Woburn. All branches have a bilingual staff.

Branch hours are considered convenient and comparable to other local institutions and services of the bank appear sufficient to meet the needs of the assessment area. Hours of operation vary with each office. Each office offers extended hours and Saturday hours, with the exception of the branch located in Malden.

Record of Opening and Closing Branches

The bank maintains a Branch Opening and Closing Policy that outlines the factors to be considered when opening or closing a branch banking office. No branches have opened or closed since the previous examination.

Alternative Retail Banking Services

The bank offers 24-hour access automated teller machines (ATMs) with Spanish menus and Braille pads at all of its branch locations. The ATMs are linked to the NYCE, CIRRUS and SUM networks.

CCB offers a MasterMoney Card, which can be used to purchase goods and services at any establishment or terminal that displays the MasterCard logo. The funds are debited automatically from the customer's checking account. This card can also be used to transfer funds, make deposits or withdrawals at any CCB ATMs. Withdrawals can also

be made at any ATM belonging to the SUM program. There is no fee charged to customers for the usage of this card.

The bank offers 24-hour account access and product information through its automated telephone banking system. Through this service, customers can transfer funds, check balances and check on a variety of information about accounts and transactions. This service is available to customers in both English and Spanish and is free of charge.

Bank-by-mail services are available for deposits and withdrawals. The bank provides customers with pre-addressed envelopes.

CCB's Web Site: www.centralbk.com provides a variety of information such as branch locations and hours, directions to the branches, an overview of the bank's history and corporate structure and general shareholder information. The bank also offers a CentralWeb Package. This package offers a checking account, savings account, Reserve Credit and MasterMoney debit card. The package allows the customer to access checking and savings accounts, check balances and account history, and transfer funds. In addition, free bill payment service is offered the first six months. After six months, a \$4.95 monthly fee is charged for up to 20 bill pay transactions; an additional \$0.50 fee per transaction over 20 transactions.

The bank has 18 bilingual employees on staff. Languages spoken by bank personnel include: Indian, Spanish, Sinhalese, Bulgarian, Russian, Filipino, Chinese, Italian, German and Korean.

Other Retail Services

Basic Banking

CCB is a participant in the Massachusetts Community and Banking Council's (MCBC) Basic Banking Program which offers low cost basic checking and savings accounts. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes.

- **Basic Checking:** The Basic Checking Account requires no minimum balance after an initial deposit of \$10.00 and allows 10 free checks per statement period with no monthly fees. An ATM is available with the account and Central Bank's ATM transactions are free.
-
- **Basic Statement Savings Account:** There is a \$10.00 minimum balance on this account and no monthly fees or service charges. An ATM card is available and no fees are charged for Central Bank ATM transactions.

Other low-cost accounts offered by Central Bank include the following:

- **Central Community Checking:** This checking account has a minimum balance of \$10.00 and no monthly fees. Free direct deposit is available with this account.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Detailed below are the bank's qualified community development services.

Involvement in Community Organizations

Clarendon Hill Towers Tenant Association: This is a tenant organization for Clarendon Hill Towers, a 500-unit complex housing primarily low and moderate-income families, located in Somerville. HUD subsidizes rents in the building. A Vice President of the bank serves on the Board of Directors of this organization and provides financial expertise.

Chelsea Restoration Corporation: This small non-profit agency serves Chelsea, Revere, East Boston, Everett, Malden and other nearby communities. Its mission is to provide quality housing for the city's low and moderate-income families. This mission is accomplished through four separate housing programs: Property Management, Homebuyers Workshop, Receivership Programs and Down Payment Assistance Program. A Vice President of the bank serves on the Board of Directors and another Vice President serves as the Account Officer for the corporation.

Chelsea Neighborhood Housing Services: This non-profit organization revitalizes and stabilizes Chelsea's neighborhoods through rehabilitation of existing housing for low and moderate-income families and through development of new affordable housing. The corporation has formed partnerships with neighborhood residents, representatives of financial organizations and city officials. A Vice President of the bank serves on the Board of Directors and another Vice President serves as the Account Officer for the corporation.

West Medford Community Center: This is a non-profit human services institution founded by Medford citizens. Its purpose is to provide human, cultural and social services for low and moderate-income individuals. The goal is to help meet the needs of low and moderate-income individuals and groups of children, youth, adults and senior citizens in Medford. The bank's CRA Officer is the Treasurer and on the Board of Directors for this community center. There is also an employee of the bank whom is on the Board of Directors for the Ways and Means Committee.

MCBC Affordable Housing Committee: This committee educates low and moderate-income families on affordable housing. The committee also ensures fair practices and

service in and among communities in the state. The CRA Officer is a member on this committee.

Somerville Boys and Girls Club: This organization provides services and activities for local children, many of whom are from low and moderate-income families. The bank's Senior Vice President serves on the Board of Directors and a Vice President serves as the Account Officer for this organization.

In addition, CCB's staff has demonstrated its commitment to the assessment area by volunteering their time and financial expertise to several various youth and elderly associations and other community-oriented organizations. While these programs do not conform to the strict definition of community development, CCB's efforts and dedication to these programs are noted.

Educational Services and Seminars

During November 2001, the bank sponsored four First Time Homebuyer Seminars in collaboration with the Community Service Network. These seminars discussed the basics of the homebuying process and were held at CCB's Woburn office. Upon completion of all four seminars, attendees were awarded First Time Homebuyer certificates.

Saving Makes Cents: The bank has participated in this program sponsored by the Massachusetts State Treasurer's Office. This program's purpose is to educate students on the basics of money management and to encourage savings. A bank representative visits the school every two weeks to open new accounts and take deposits for the children. At the present time, the bank is offering this program to one grammar school in East Somerville.

CONCLUSION - Service Test

As depicted above, Central Co-operative Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels in its assessment area. The bank's officers have provided an adequate level of community development services. Therefore, the bank's service test is considered to be satisfactory.

APPENDIX A

SCOPE OF EXAMINATION

As of the close of business, April 24, 2002, a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination, performed under the large institution regulations, was conducted at Central Co-operative Bank's main office located in Somerville, Massachusetts. The examination period reviewed included the years 2000 and 2001. The bank's lending products reviewed at the examination include residential mortgage loans and small business loans. There are 165 census tracts located in the Boston MSA which were evaluated.

Central Co-operative Bank's Investment and Service Tests were also reviewed. Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CENTRAL CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 24, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area , each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.